

Message Text

LIMITED OFFICIAL USE

PAGE 01 MTN GE 03636 01 OF 02 111639Z

45

ACTION STR-04

INFO OCT-01 IO-13 ISO-00 AS-01 OIC-02 XMB-02 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

FEAE-00 OMB-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10

OPIC-03 STRE-00 /144 W

----- 064059

P R 111606Z MAY 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1497

INFO AMEMBASSY MEXICO

LIMITED OFFICIAL USE SECTION 1 OF 2 MTN GENEVA 3636

ACTION STR

H PASS CODEL

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: TROPICAL PRODUCTS CONSULTATION: MEXICO

REF: MTN GENEVA 2762

1. SUMMARY: US MTN DEL (GRAEF, ET AL) MET WITH
SERGIO DELGADO, DIRECTOR OF MEXICO'S OFFICE OF INT.
TRADE POLICY, TREASURY, WHO IS IN GENEVA FOR
SAFEGUARDS AND STANDARDS MEETINGS, TO RECONCILE
US-MEXICAN TRADE DATA ON US TROPICAL PRODUCTS (TP)
OFFER AND REQUESTED CONTRIBUTIONS. DISCUSSION
EXPANDED TO SEVERAL OTHER TOPICS INCLUDING: NEW
MEXICAN TARIFF; OFFICIAL PRICES; FREE-TRADE BORDER
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MTN GE 03636 01 OF 02 111639Z

ZONES; AND THE ABILITY OF GOM TO RESPOND TO US

REQUEST FOR CONTRIBUTIONS IN THE TP NEGOTIATIONS.
MEETING WAS LOW-KEYED AND FRIENDLY, WITH DELGADO
INDICATING MEXICO IS TAKING A "CONSTRUCTIVE" APPROACH
TO US SUGGESTED CONTRIBUTIONS. END SUMMARY

2. MEETING HELD MAY 6 AT REQUEST OF DELGADO, WHO
OPENED DISCUSSION BY INDICATING GOM COULD NOT
RECONCILE US AND MEXICAN TRADE DATA COVERING US TP
OFFER AND SUGGESTED MEXICAN CONTRIBUTIONS (SEE REFTTEL).
HE NOTED GOM HAD ADOPTED A NEW TARIFF SCHEDULE
(JANUARY 1, 1975) AND THAT SOME CONVERSION FOR OLD
TARIFF LINES WAS NECESSARY. MEXICAN DEL HELPFULLY
PROVIDED US MTN DEL WITH HIS WORKING PAPERS (BEING
TRANSMITTED AIRGRAM) WHICH SHOW 1971-74 MEXICAN
IMPORTS FOR ALL ITEMS FOR WHICH THE US SUGGESTED
CONTRIBUTIONS, INCLUDING DESCRIPTION, TARIFF RATES,
LAFTA CONCESSIONS, AND OTHER SPECIAL PROVISIONS.
(FYI OF PARTICULAR INTEREST, ON MEXICAN TARIFF ITEM
33.01A038, ESSENTIAL OIL OF LEMON, IMPORTS
FROM LAFTA PARTNER ARGENTINA DO NOT REQUIRE IMPORT
LICENSES, WITH ARGENTINA NOW SUPPLYING VIRTUALLY ALL
OF MEXICO'S IMPORTS. END FYI)

3. INITIAL DELGADO STATEMENT THAT US WAS SUGGESTING
CONTRIBUTIONS WITH A TRADE VALUE LARGER THAN US OFFER
WAS PUZZLING UNTIL DISCOVERY GOM THOUGHT US WAS
SEEKING CONCESSION ON ENTIRE MEXICAN TARIFF ITEM
23.04 A 001. US DEL EXPLAINED US WAS SEEKING CON-
CESSION ON CERTAIN VEGETABLE PROTEINS, SOY FLOURS,
GRITS, ETC., NOT ON ENTIRE TARIFF ITEM, AND PROVIDED
MEXICAN DEL WITH USDA PREPARED PAPER ON REQUESTED
PRODUCTS. OTHER MAJOR CAUSE OF DISCREPANCY WAS
THAT IN CALCULATING VALUE OF US OFFER, MEXICO HAD
USED ONLY TRADE VALUES FOR SEVEN PRODUCTS WHICH IT
HAD REQUESTED AND WHICH WERE INCLUDED IN US TP OFFER.
GOM DID NOT CONSIDER ALL ITEMS IN WHICH IT HAD A
TRADE INTEREST. MTN DEL POINTED TO OBVIOUS VALUE OF
CONCESSIONS TO MEXICO ON SEVERAL NONREQUESTED ITEMS
(MOLASSES, HEADWEAR OF LEATHER, COCOA BUTTER,
MOLASSES, AND FISHING HOOKS). US DEL NOTED MEXICAN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MTN GE 03636 01 OF 02 111639Z

REQUEST HAD NOT BEEN REVISED SINCE INITIALLY
SUBMITTED TO TAKE INTO ACCOUNT ADDITIONAL PRODUCTS
THAT US DEL HAD INDICATED IN PREVIOUS CONSULTATIONS
MIGHT BE NEGOTIABLE IN TP GROUP. DELGADO AGREED
THAT FULLER ANALYSIS MAY BE NECESSARY OF MEXICO'S TP
REQUEST LIST, WHICH WAS BASED ON 70/71 DATA. EVEN ON
"REQUEST ONLY" BASIS, HOWEVER, US DEL POINTED OUT THAT
USING 1973 TRADE DATA, US OFFER WAS WORTH ABOUT

\$20 MILLION, WHILE CONTRIBUTIONS TOTALED ONLY \$18 MILLION. (DELGADO DID NOT REPEAT CLAIM MADE BY GARRIDO AT PREVIOUS CONSULTATIONS THAT MEXICAN IMPORT FIGURES WERE HELD ARTIFICIALLY LOW THROUGH RESTRICTIVE IMPORT LICENSING AND THAT HENCE CONCESSIONS THAT INCLUDED UNRESTRICTED MEXICAN IMPORTS SHOULD BE VALUED HIGHER THAN PAST TRADE FIGURES WOULD INDICATE.)

4. DISCUSSIONS ON VARIOUS PRODUCTS FOLLOWED, WITH INDICATIONS THAT GOM WAS ANALYZING OFFERS AND SUGGESTED CONTRIBUTIONS QUITE CAREFULLY. MEXICAN DELEGATE NOTED THAT THEY HAD LITTLE TRADE IN CANTALOPES AND WATERMELONS DURING JANUARY-FEBRUARY PERIOD, AND THOUGHT THEY MIGHT NOT BE ABLE TO HARVEST IN THAT SEASON. HE STATED, HOWEVER, THAT GOM AGRICULTURE MINISTRY WOULD EXAMINE THE US TP OFFER TO ASCERTAIN ITS POTENTIAL TRADE VALUE.

5. IN RESPONSE TO US MTN DEL'S QUESTION AS TO MEXICO'S REACTION TO US'S SUGGESTED LIST OF CONTRIBUTIONS, MEXICAN DEL NOTED THAT FOR SOME OF THE ITEMS (MILK AND INDUSTRIAL PRODUCTS) MEXICO HAD CERTAIN "SOCIAL NEEDS" WHICH REQUIRED THEIR IMPORTATION. HE PERSONALLY SAW NO MAJOR PROBLEMS ON PRODUCTS ON WHICH US HAD REQUESTED CONTRIBUTIONS, EXCEPT WITH SUGGESTED CONTRIBUTIONS ON MEXICAN IMPORTS OF FRUIT COCKTAIL AND ESSENTIAL OIL OF LEMON. WE NOTED THAT THOSE TWO ITEMS WERE TIED TO OUR OFFER ON CANTALOPES AND WATERMELONS. DELGADO SEEMED UNCONCERNED ABOUT PROBLEMS THAT MIGHT BE ASSOCIATED WITH CONCESSIONS ON ITEMS ON WHICH MEXICO HAD MADE A CONCESSION TO LAFTA MEMBERS (AND HENCE WOULD BE REQUIRED, WE BELIEVE, TO MAKE COMPENSATION IF AN MFN CONCESSION WERE MADE), OR WITH THE FACT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MTN GE 03636 01 OF 02 111639Z

THAT THE NETHERLANDS, RATHER THAN THE US, WAS THE PRINCIPAL SUPPLIER OF CONDENSED MILK. DELGADO PROBED AS TO WHAT WOULD HAPPEN SHOULD MEXICO MAKE NO CONTRIBUTION FOR THOSE ITEMS ON US TP OFFER LIST WHICH IT HAD NOT REQUESTED, BUT IN WHICH IT HAD A TRADE INTEREST. US DEL MADE STANDARD REPLY THAT IT WAS ENGAGING IN A SERIES OF CONSULTATIONS TO SEEK TO ESTABLISH MAGNITUDE OF POSSIBLE CONTRIBUTIONS, AND THE EXTENT TO WHICH SUCH CONTRIBUTIONS WERE FORTHCOMING WOULD BE AN IMPORTANT FACTOR IN DECIDING UPON FINAL US OFFER.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MTN GE 03636 02 OF 02 111808Z

45

ACTION STR-04

INFO OCT-01 IO-13 ISO-00 AS-01 OIC-02 XMB-02 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

FEAE-00 OMB-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10

OPIC-03 STRE-00 /144 W

----- 065401

P R 111606Z MAY 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1498

INFO AMEMBASSY MEXICO

LIMITED OFFICIAL USE SECTION 2 OF 2 MTN GENEVA 3636

ACTION STR

H PASS CODEL

6. DURING DISCUSSION ON LINE-BY-LINE BASIS, IT WAS ESTABLISHED THAT MEXICAN TRADE STATISTICS DISTINGUISH BETWEEN IMPORTS INTO MEXICO'S BORDER FREE-TRADE ZONES (DESCRIBED BY DELGADO AS EXTENDING ABOUT 50 MILES INTO MEXICO WITH VIRTUALLY ALL IMPORTS INTO BORDER ZONE DUTY-FREE) AND IMPORTS INTO THE "INTERIOR". US INCLUSION OF DUTY-FREE BORDER ZONE IMPORTS, WHILE NOT VERY SIGNIFICANT IN AGGREGATE, CAN BE IMPORTANT ON INDIVIDUAL PRODUCT REQUESTS. FOR EXAMPLE, INSTRUCTIONS SHOW THAT FOR EVAPORATED MILK, MEXICAN TARIFF ITEM 0402A001, MEXICAN IMPORTS WERE \$5,971,000 FROM US IN 1973, BUT IMPORTS INTO THE INTERIOR FROM THE US, AND THEREFORE DUTYABLE, WERE ONLY \$147,000. BORDER ZONE TRADE, THEREFORE, COMPLICATES CALCULATIONS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MTN GE 03636 02 OF 02 111808Z

OF RELATIVE TRADE VALUES. MTN DEL REQUESTS WASHINGTON AND AMEMBASSY MEXICO CITY EVALUATE BORDER ZONE TRADE, AND ADVISE MTN DEL AS TO HOW THIS TRADE SHOULD BE VALUED IN RECIPROCITY CALCULATIONS. (IN THE CASE OF THE ITEM ABOVE, THE DUTY-FREE TREATMENT IN THE BORDER AREA -- AND THE CONCENTRATION OF US EXPORTS OF EVAPORATED MILK IN THIS ZONE -- COULD SUGGEST US IS SEEKING A VALUABLE CONCESSION FROM MEXICO. IF, ON THE OTHER HAND, SOME OTHER FACTOR RESTRICTS THIS ITEM TO THE DUTY-FREE ZONE, THE CONCESSION WOULD NOT BE WORTH AS MUCH AND WE SHOULD REDUCE THE VALUE OF OUR REQUEST TOWARDS THE AMOUNT OF US EXPORTS ACTUALLY DUTIABLE. ACCORDINGLY, A BINDING OF DUTY-FREE IN THE BORDER ZONE MIGHT BE MORE VALUABLE THAN THE TARIFF CONCESSION FOR THE INTERIOR.)

7. IN AN INFORMAL WRAP-UP CONVERSATION, MEXICAN DEL NOTED THAT MEXICAN TRADE VALUES ARE SHOWN AS "ACTUAL" VALUES RATHER THAN "OFFICIAL PRICES". UNDER THE NEW TARIFF SYSTEM, VALUATION IS BASED ON THE OFFICIAL PRICE OR THE INVOICE VALUE, WHICHEVER IS LOWER, REPEAT LOWER, UNLESS THERE IS A PRESUMPTION OF SOME UNFAIR TRADE PRACTICE SUCH AS DUMPING OR "UNDER-PRICING". THERE IS A PROCEDURE FOR IMPORTERS TO CHALLENGE OFFICIAL PRICES, IF THE IMPORTERS BELIEVE THE OFFICIAL PRICES ARE NOT ACCURATE. MEXICAN CUSTOM OFFICIALS AT PORT APPARENTLY HAVE SOME DISCRETION IN DETERMINING WHETHER TO USE INVOICE OR OFFICIAL VALUE, WITHIN GUIDELINES ISSUED BY MINISTRY OF FINANCE. MEXICO COULD IMPLEMENT CONCESSIONS WITH NO PROBLEMS FROM THE MEXICAN CONGRESS, BUT WOULD NEED AGREEMENT AMONG VARIOUS GOM MINISTRIES AND CONSULTATIONS WITH PRIVATE SECTOR.

8. COMMENT: GOM IS OBVIOUSLY SERIOUSLY EVALUATING THE US TP OFFER AND REQUESTED CONTRIBUTIONS. THIS SESSION WAS ESPECIALLY USEFUL, AND DELGADO SEEMED TO TAKE A MORE PRAGMATIC LINE THAN MEXICO'S MTN GENEVA DEL. DELGADO AND MTN DEL DEVELOPED EASY RAPPORT AND AGREED TO MEET MAY 14 TO FURTHER EXAMINE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MTN GE 03636 02 OF 02 111808Z

TRADE DATA.

9. ACTION REQUESTED: (A) REQUEST USDA DEVELOP PRODUCT DESCRIPTION OF VEGETABLE PROTEINS TAILORED TO MEXICO (REF STATE 112101). MEXICAN ANALYSIS OF

OUR REQUEST FOR CONTRIBUTIONS INCORPORATED TRADE
FIGURES FOR THREE VEGETABLE PROTEINS, INCLUDING
BTN 23.04 WHICH HAD TOTAL TRADE OF \$236 MILLION
PESOS. THIS DOUBLED THE PERCEIVED TRADE VALUE OF
US REQUEST FOR CONTRIBUTIONS. (B) AS NOTED IN
PARA 6, ADVISE US DEL AS TO SIGNIFICANCE OF BORDER
ZONE TRADE IN EVALUATING VALUE OF US REQUESTS.WALKER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TROPICAL PRODUCTS, AGRICULTURAL COMMODITIES, TARIFF CONCESSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MTNGE03636
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760181-0912
From: MTN GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760568/aaaacgdp.tel
Line Count: 284
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 MTN GENEVA 2762
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2004 by greeneet>; APPROVED <27 SEP 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TROPICAL PRODUCTS CONSULTATION: MEXICO
TAGS: ETRD, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006